

Message Text

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AMEMBASSY OSLO

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E.O. 11652:

TAGS: ENRG, OECD

SUBJECT: IEA - APRIL 13-14 SLT MEETING

1. SUMMARY. MUCH OF DISCUSSION AT SLT MEETING WAS FOCUSED ON REVISED US PROPOSAL FOR ESTABLISHMENT OF INTERNATIONAL ENERGY INSTITUTE TO BE TABLED AT CIEC ENERGY CONFERENCE MEETING JUNE/JULY. ALL DELEGATIONS STRONGLY SUPPORTED CONCEPT AND GENERAL STATEMENT ON SCOPE AND FUNCTIONS FOR INSTITUTE AS ELABORATED IN US PAPER. PRINCIPAL CONCERNS EXPRESSED BY SEVERAL DELEGATIONS WERE THE POSSIBILITY THAT THE IEI WOULD DUPLICATE EFFORTS UNDERTAKEN IN OTHER ORGANIZATIONS AND THAT PAPER SUGGESTED POSSIBILITY OF EXPANSION OF US CONCEPT WITH UNCERTAIN FINANCIAL IMPACT. SLT APPROVED SEUS REPORT ON NUCLEAR POWER REVIEW AND CRITERIA FOR 1976 ACCELERATED DEVELOPMENT REVIEW. FOCUS OF REMAINDER OF MEETING WAS ON SLT WORK PROGRAM FOR 1976. SLT AGREED TO ESTABLISH PROCEDURE FOR SETTING GROUP REDUCED DEPENDENCY OBJECTIVES BY JULY 1. SLT ALSO DISCUSSED, BUT DID NOT SUBSTANTIALLY ADVANCE, SECTOR BY SECTOR COOPERATION, CONTINGENCY STUDY ON INTERFUEL SUBSTITUTION, AND SECRETARIAT PROPOSAL FOR

ANALYSIS OF STRUCTURAL PROBLEMS OF THE ENERGY MARKET.
END SUMMARY.

2. IEI -- SLT CHAIRMAN, RAICHT, OPENED EXAMINATION OF US PAPER WITH EXPLANATION THAT DISCUSSION IN SLT SHOULD CENTER ON RATIONALE, SCOPE AND FUNCTIONS AND FINANCING FOR IEI. HE INDICATED INTENTION TO PREPARE CHAIRMAN'S NOTE FOR CONSIDERATION AT MAY GOVERNING BOARD MEETING, SUMMARIZING VIEWS OF DELEGATIONS WHICH, IN CONJUNCTION WITH FINDINGS OF BURROWS AD HOC CIEC GROUP, WOULD PROVIDE BASIS FOR DECISION BY GOVERNING BOARD ON HOW IEI PROPOSAL WOULD BE HANDLED IN THE ENERGY COMMISSION. DELEGATIONS WERE GENERALLY FAVORABLE TO CONCEPT AND DESIGN OF INSTITUTE AS PROPOSED IN REVISED US PAPER. MANY DELEGATIONS FOCUSED ON NEED TO ENSURE AGAINST CONFIDENTIAL

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INSTITUTE DUPLICATING WORK OF EXISTING ORGANIZATIONS AND SOUGHT MORE DETAILED DESCRIPTION OF ACTIVITIES AND COSTS. SEVERAL DELEGATIONS QUESTIONED ABILITY OF INDUSTRIALIZED COUNTRIES TO KEEP INSTITUTE SMALL -- ACTING PRIMARILY AS A CATALYSER AND COORDINATOR OF ASSISTANCE PROGRAMS OF EXISTING ORGANIZATIONS IN ENERGY AREA -- AND EXPRESSED SERIOUS CONCERN AT POTENTIAL FINANCIAL IMPACT. RELATIONSHIP WITH UN RAISED BY SEVERAL DELEGATIONS WITH ONLY SWEDEN SUGGESTING STRONG LIMITS. SOME DELEGATIONS AGREED WITH NEED TO AVOID CLOSE IDENTIFICATION OF IEI AND UN, ARGUING THAT INSTITUTE SHOULD BE CREATION OF CIEC. SECTION ON FINANCING POSSIBILITIES WAS REDRAFTED DURING MEETING TO ACCOMMODATE CONCERNS OF SOME ORGANIZATIONS ABOUT SIZE AND GROWTH

POTENTIAL OF IEI AND TO CLARIFY PROPOSED MECHANISMS. IN RESPONSE TO CONCERN OF MOST DELEGATIONS OVER RISK OF DUPLICATION, CHAIRMAN ASKED SECRETARIAT TO EXPAND ON PAPER IT HAD PREPARED DESCRIBING ENERGY RELATED ACTIVITIES OF EXISTING UN BODIES AND INCLUDE DESCRIPTION OF IBRD ACTIVITIES AND IEA MEMBER COUNTRIES' BILATERAL ACTIVITIES. THIS PAPER WOULD ALSO BE SUBMITTED TO GOVERNING BOARD.

3. SEUS REPORT ON NUCLEAR POWER REVIEW -- THE SEUS FORECASTS OF NUCLEAR POWER GROWTH TO 1985 CONFIRMED THE SIGNIFICANTLY REDUCED FORECASTS FOR NUCLEAR GROWTH OVER NEXT TEN YEARS. SEUS CHAIRMAN HERZIG OPINED THAT THIS REDUCTION WOULD BE REPEATED IN 1977. IT WAS AGREED THAT SEUS SHOULD COMPLETE FORECASTS THROUGH 1995 AND EXAMINE IMPLICATIONS FOR NUCLEAR FUEL CYCLE. SLT ALSO AGREED TO RETURN TO REPORT SUBSEQUENTLY TO EXAMINE IMPLICATIONS OF REDUCED FORECASTS IN TERMS OF INTERFUEL

SUBSTITUTION AND REDUCED DEPENDENCY OBJECTIVES.

4. CRITERIA FOR 1976 ACCELERATED DEVELOPMENT REVIEW -- DANISH PROPOSAL TO AMEND CRITERIA FOR COUNTRY REVIEW TO COVER ACTIONS TAKEN TO REMOVE ADMINISTRATIVE OBSTACLES AND DISCRIMINATORY PRACTICES (CHAPTER 5) WAS APPROVED AFTER MODIFICATION OF LANGUAGE TO REFLECT THAT REVIEW WOULD BE UNDERTAKEN IN LIGHT OF COMMITMENTS OF NATIONAL GOVERNMENT IN LONG TERM COOPERATION PROGRAM. CONFIDENTIAL

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SEVERAL DELEGATIONS WERE ONLY ABLE TO ACCEPT AMENDMENT ON AD REFERENDUM BASIS (SPAIN, NEW ZEALAND, TURKEY, AND NORWAY -- THE LATTER BECAUSE IT HAS NOT YET ADHERED TO LONG TERM PROGRAM). SLT APPROVED REVISED GUIDELINES FOR IMMEDIATE CIRCULATION TO MEMBER GOVERNMENTS IN PREPARATION FOR NATIONAL REVIEW PROCESS.

5. SLT 1976 WORK PROGRAM -- (A) US PROPOSAL FOR ESTABLISHING REDUCED DEPENDENCY OBJECTIVES FOR GROUP BY JULY 1 WAS VIGOROUSLY OPPOSED BY SEVERAL KEY DELEGATIONS (GERMANY, UK, JAPAN, CANADA). THEY ARGUED AGAINST NEED FOR CREATION OF NEW SET OF OBJECTIVES AS BEING POSSIBLY CONFRONTATIONAL AND UNNEEDED AT THIS TIME, WITH SOME DELEGATIONS POINTING OUT NEED TO MOVE FORWARD WITH COOPERATIVE PROJECTS TO IMPLEMENT LTP BEFORE SETTING NEW OBJECTIVES. AFTER LENGTHY DISCUSSION, SLT AGREED TO ESTABLISH BY JULY 1 PROCESS FOR SETTING GROUP REDUCED DEPENDENCY OBJECTIVES. TO ASSIST SLT IN REACHING THIS GOAL, SECRETARIAT WILL DRAFT SCENARIO FOR SETTING OBJECTIVES WHICH TAKES ACCOUNT OF PROGRESS IN REVISING LONG TERM ENERGY ASSESSMENT AND CONSERVATION AND ACCELERATED DEVELOPMENT REVIEWS THIS YEAR. SCENARIO WILL BE DISCUSSED AT NEXT SLT MEETING. CHAIRMAN REQUESTED

ALL DELEGATIONS TO SUBMIT PAPER ON MAY 30 CONTAINING FORECASTS OF DEPENDENCE ON IMPORTED OIL FOR 1980 AND 1985 PROVIDING RANGE SHOWING BUSINESS AS USUAL AND VIGOROUS POLICY CASES AND DESCRIBING CONSTRAINTS OR COSTS WHICH WOULD BE INCURRED IN IMPLEMENTING POLICIES REQUIRED UNDER LATTER SCENARIO. SEVERAL DELEGATIONS QUESTIONED WHETHER SLT PLANNED TO SIMPLY AGGREGATE VIGOROUS POLICY FORECAST AS BASIS FOR REDUCED DEPENDENCY OBJECTIVES. CHAIRMAN SUGGESTED THAT SUBMISSIONS BY DELEGATIONS COULD BE USED AS BASIS FOR REDUCED DEPENDENCY OBJECTIVES AND COULD HELP INDICATE PARAMETERS WITHIN WHICH OBJECTIVES COULD BE ESTABLISHED.

(B) SECTOR BY SECTOR COOPERATION -- AFTER BRIEF DISCUSSION, IT WAS AGREED THAT IT WOULD BE DIFFICULT FOR SLT TO MEET REQUIREMENT IN LONG TERM PROGRAM TO ESTABLISH SET OF POTENTIAL COOPERATIVE PROJECTS FOR APPROVAL BY GOVERNING BOARD BY END OF 1976. HOWEVER, GROUP AGREED CONFIDENTIAL

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THAT AT MINIMUM FRAMEWORK FOR COOPERATION IN SPECIFIC ENERGY SECTORS SHOULD BE AGREED TO INCLUDE NATIONAL GUIDELINES FOR PROJECT COOPERATION, DESCRIPTION OF LEGAL FRAMEWORK AND IDENTIFICATION OF CENTRAL FOCUS WITHIN EACH GOVERNMENT FOR SUCH ACTIVITIES.

(C) MSP - SECRETARIAT REPORTED THAT EXPERT WORKING GROUP HAD COMPLETED WORK IN SOME ISSUES AND WOULD BE SENDING REPORT TO SLT SHORTLY WITH TWO ISSUES FOR DECISION ON WHICH POLITICAL DIFFERENCES PREVENTED EXPERTS FROM ACHIEVING CONSENSUS -- IDENTIFICATION OF MARKER CRUDE TO TRIGGER MSP AND INCLUSION OF PRODUCTS. SLT AGREED TO TAKE UP THIS ISSUE AT NEXT MEETING.

(D) US PROPOSAL FOR ESTABLISHMENT OF NUCLEAR FUEL CYCLE SUBGROUP -- CHAIRMAN NOTED THAT US HAD UNDERTAKEN TO WORK OUT REVISED MANDATE FOR NEW SUBGROUP WITH SECRETARIAT AND THAT REPORT OF AD HOC GROUP ON URANIUM AND ENRICHED URANIUM SHARING WOULD BE AVAILABLE AT NEXT SLT MEETING. HE SUGGESTED POSTPONING DISCUSSION OF THIS ISSUE UNTIL THAT TIME. SOME DELEGATIONS EXPRESSED INTEREST IN RELATIONSHIP OF PROPOSED GROUP TO NEA ACTIVITIES.

(E) INTERFUEL SUBSTITUTION -- SEVERAL DELEGATIONS AGREED ON NEED FOR CONTINGENCY STUDY OF THIS KIND WHICH WOULD RELATE ACTIVITIES OF NUCLEAR AND COAL STUDIES NOW UNDER WAY, PARTICULARLY IN LIGHT OF SHORTFALL IN NUCLEAR POWER FORECASTS IN SEUS REPORT ON NUCLEAR POWER REVIEW. CANADIAN DELEGATION INDICATED IT HAD PAPER IN PROCESS WHICH IT HOPED TO BE ABLE TO TABLE IN SLT SHORTLY WHICH COULD SERVE AS POINT OF DEPARTURE FOR FURTHER DISCUSSIONS.

(F) OVERALL IEA R&D STRATEGY -- SECRETARIAT REPORTED THAT R&D SYSTEMS ANALYSIS GROUP PLANNING THREE YEAR STUDY BUT EXPECTED TO BE ABLE TO PROVIDE PRELIMINARY REPORT ON OVERALL STRATEGY CONSIDERATIONS IN NOVEMBER AND ASSURED SLT THAT NEED FOR COORDINATION BETWEEN CERD AND SLT ON THIS ISSUE WOULD BE EMPHASIZED AT NEXT CERD MEETING.

(G) ANALYSIS OF STRUCTURAL PROBLEMS OF ENERGY MARKETS --
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SECRETARIAT EXPLAINED THAT LANTZKE'S PAPER WAS ESSENTIALLY DESIGNED TO STIMULATE THINKING WITHIN AGENCY ON FOCUS AND PRIORITIES FOR FUTURE WORK, AND RECOGNIZED THAT SOM ALREADY HAD BEGUN STUDY OF OIL MARKET ALONG THESE LINES. SEVERAL DELEGATIONS INDICATED THAT IN LIGHT OF THIS THEY FELT STRUCTURAL ANALYSIS NEEDED TO BE CONSIDERED IN LONG TERM AND FURTHER CONSIDERATION COULD PERHAPS BE DELAYED UNTIL FOLLOWING YEAR TO GIVE GOVERNMENTS MORE TIME TO CONSIDER IT. EAGLEBURGER

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